

WASHINGTON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Washington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2007 Election)</b>		
Tim Orris	President	2008
Patty Roe	Board Member	2009
Heidi Vittetoe	Board Member	2009
Ron Goodwin	Board Member	2008
Eric Turner	Board Member	2008
Jim Gorham	Board Member	2007
Cathy Rich	Board Member	2007
<b>Board of Education</b>		
<b>(After September 2007 Election)</b>		
Eric Turner	President	2008
Cathy Rich	Vice-President	2009
Jeff Dieleman	Board Member	2009
	(Resigned June 11, 2008)	
Patty Roe	Board Member	2009
Heidi Vittetoe	Board Member	2009
Tim Orris	Board Member	2008
Ron Goodwin	Board Member	2008
<b>School Officials</b>		
David Schmitt	Superintendent	2008
Kim Sheets	Business Manager/ District Secretary	2008
Kevin Caldwell	District Treasurer	2008
Brian Gruhn	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Washington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Washington Community School District, Washington, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Washington Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2009 on our consideration of Washington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington Community School District's basic financial statements. We previously audited the financial statements for the year ended June 30, 2007, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and an unqualified opinion was expressed on those financial statements. Another auditor previously audited the financial statements for the previous three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Washington Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,887,090 in fiscal 2007 to \$15,747,840 in fiscal 2008, while General Fund expenditures decreased from \$15,915,129 in fiscal 2007 to \$15,871,517 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from a deficit \$679,692 in fiscal 2007 to a balance of deficit \$803,369 in fiscal 2008, an 18.20% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2008. The decrease in expenditures was due primarily due to staff reductions and an effort to reduce expenditures to improve fund balance.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Washington Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Washington Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Washington Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

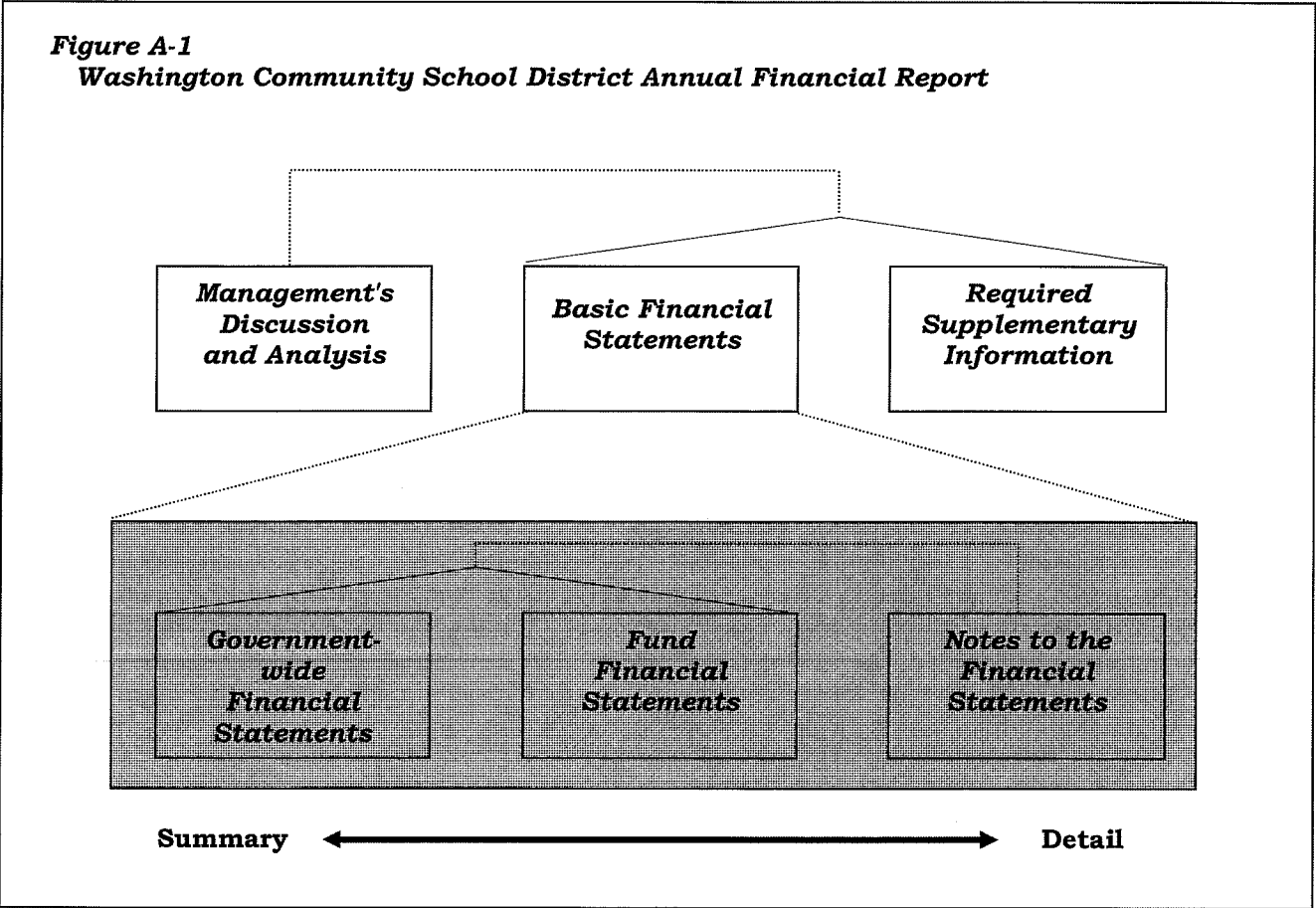


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 10,847,389	13,726,359	76,968	118,570	10,924,357	13,844,929	-21.09%
Capital assets	7,666,397	4,408,143	306,210	42,581	7,972,607	4,450,724	79.13%
Total assets	18,513,786	18,134,502	383,178	161,151	18,896,964	18,295,653	3.29%
Long-term obligations	1,043,944	1,095,821	0	0	1,043,944	1,095,821	-4.73%
Other liabilities	10,223,087	10,889,003	49,828	75,086	10,272,915	10,964,089	-6.30%
Total liabilities	11,267,031	11,984,824	49,828	75,086	11,316,859	12,059,910	-6.16%
Net assets:							
Invested in capital assets, net of related debt	6,666,397	3,408,143	306,210	42,581	6,972,607	3,450,724	102.06%
Restricted	966,330	2,831,370	0	0	966,330	2,831,370	-65.87%
Unrestricted	(385,972)	(89,835)	27,140	43,484	(358,832)	(46,351)	-674.16%
Total net assets	\$ 7,246,755	6,149,678	333,350	86,065	7,580,105	6,235,743	21.56%

The District's combined net assets increased by 21.56%, or \$1,344,362, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 65.87%, or \$1,865,040, over the prior year. This decrease is mainly attributable to the decrease in fund balance of both the Capital Projects and Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$312,481, or 674.16%. One of the contributing factors to the decrease in unrestricted fund balance is the decrease in General Fund balance during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,096,959	1,159,871	318,676	295,328	1,415,635	1,455,199	-2.72%
Operating grants and contributions and restricted interest	2,604,167	2,485,660	357,632	342,775	2,961,799	2,828,435	4.72%
Capital grants and contributions and restricted interest	383,326	142,688	0	0	383,326	142,688	168.65%
General revenues:							
Property tax	4,471,602	5,002,366	0	0	4,471,602	5,002,366	-10.61%
Income surtax	718,233	541,209	0	0	718,233	541,209	32.71%
Local option sales and services tax	1,013,760	1,036,819	0	0	1,013,760	1,036,819	-2.22%
Unrestricted state grants	7,839,002	7,282,121	0	0	7,839,002	7,282,121	7.65%
Other	96,647	291,473	1,529	1,592	98,176	293,065	-66.50%
Transfers	(280,924)	0	280,924	0	0	0	0.00%
Total revenues and transfers	17,942,772	17,942,207	958,761	639,695	18,901,533	18,581,902	1.72%
Program expenses:							
Governmental activities:							
Instructional	10,938,324	10,915,201	0	0	10,938,324	10,915,201	0.21%
Support services	4,739,315	5,163,178	0	0	4,739,315	5,163,178	-8.21%
Non-instructional programs	0	0	711,476	635,446	711,476	635,446	11.96%
Other expenses	1,168,056	1,514,000	0	0	1,168,056	1,514,000	-22.85%
Total expenses	16,845,695	17,592,379	711,476	635,446	17,557,171	18,227,825	-3.68%
Changes in net assets	1,097,077	349,828	247,285	4,249	1,344,362	354,077	279.68%
Beginning net assets	6,149,678	5,799,850	86,065	81,816	6,235,743	5,881,666	6.02%
Ending net assets	\$ 7,246,755	6,149,678	333,350	86,065	7,580,105	6,235,743	21.56%

In fiscal 2008, local tax (property tax, income surtax and local option sales and services tax) and unrestricted state grants account for 78.26% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 70.54% of the revenue from business type activities.

The District's total revenues were approximately \$18.90 million of which \$17.94 million was for governmental activities and approximately \$0.96 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.72% increase in revenues and a 3.68% decrease in expenses. Unrestricted state grants increased \$556,881 to fund increases in expenditures. The decrease in expenditures can be attributed to staff reduction in an effort to help improve the balance of the General Fund.

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## Governmental Activities

Revenues for governmental activities were \$17,942,772 and expenses were \$16,845,695.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 10,938,324	10,915,201	0.21%	7,892,893	7,879,829	0.17%
Support services	4,739,315	5,163,178	-8.21%	4,694,748	5,136,712	-8.60%
Other expenses	1,168,056	1,514,000	-22.85%	173,602	787,619	-77.96%
Totals	<u>\$ 16,845,695</u>	<u>17,592,379</u>	<u>-4.24%</u>	<u>12,761,243</u>	<u>13,804,160</u>	<u>-7.56%</u>

- The cost financed by users of the District's programs was \$1,096,959.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,987,493.
- The net cost of governmental activities was financed with \$4,471,602 in property tax, \$718,233 in income surtax, \$1,013,760 in local option sales and service tax, \$7,839,002 in state grants and \$55,202 in interest income.

## Business-Type Activities

Revenues of the District's business-type activity were \$958,761 and expenses were \$711,476. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Washington Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of a deficit \$5,439, below last year's ending fund balances of \$2,207,615.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state source revenues resulted in an increase in revenues. Staff reduction in order to decrease expenditures in the General Fund was the main factor in the decrease in expenditures. Although General Fund revenues increased as compared to fiscal 2007, the increase was not enough to offset total fund expenditures; the net result was a decrease in fund balance from a deficit \$679,692 in fiscal 2007 to a deficit \$803,369 in fiscal 2008.
- The Capital Projects fund balance overall decreased from \$1,670,841 in fiscal 2007 to a deficit balance of \$35,774 in fiscal 2008. The decrease in fund balance is attributable to using carryover fund balance as well as current year revenues to pay for renovation costs for the Lincoln and Stewart Elementary buildings.

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- The Debt Service Fund balance increased from \$459,793 in fiscal 2007 to \$553,394 due to interest earned and the annual transfer of \$86,130 from the General Fund to pay for the Qualified Zone Academy Bonds that are due in 2012.

### **Proprietary Fund Highlights**

The School Nutrition Fund's increase in revenues was enough to offset the increase in expenditures thus ensuring a positive gain for the fund. Overall, net assets increased from \$86,065 at June 30, 2007 to \$333,350 at June 30, 2008, representing an increase of 287.32%. This dramatic increase in fund balance is mainly attributable to the capital contribution (new kitchen equipment for the elementary renovations) from the Physical Plant and Equipment Levy Fund

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$768,711 less than budgeted revenues, a variance of 3.91%. The most significant dollar difference resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Although District disbursements for the year ended June 30, 2008, did not exceed budgeted amounts, the District exceeded its General Fund unspent authorized budget by \$63,706.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, the District had invested \$7,972,607, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 79.13% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$435,573.

The original cost of the District's capital assets was \$12,178,099. Governmental funds account for \$11,776,985 with the remainder of \$401,114 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,078,145 at June 30, 2007 as compared to \$4,450,656 at June 30, 2008. This increase is due to continuing renovations at the Lincoln and Stewart Elementary buildings.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 544,857	544,857	0	0	544,857	544,857	0.00%
Construction in progress	4,450,656	1,078,145	0	0	4,450,656	1,078,145	312.81%
Buildings	1,634,274	1,757,111	0	0	1,634,274	1,757,111	-6.99%
Land improvements	135,696	164,144	0	0	135,696	164,144	-17.33%
Machinery and equipment	900,914	863,886	306,210	42,581	1,207,124	906,467	33.17%
Total	\$ 7,666,397	4,408,143	306,210	42,581	7,972,607	4,450,724	79.13%

### Long-Term Debt

At June 30, 2008, the District had \$1,043,944 in QZAB bonds and early retirement. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
QZAB bonds	\$ 1,000,000	1,000,000	0.0%
Early retirement	43,944	95,821	-54.1%
Total	\$ 1,043,944	1,095,821	-4.7%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future

- With the near completion of the renovation projects at the Lincoln and Stewart Elementary buildings, the District anticipates that the Capital Projects Fund and Physical Plant and Equipment Levy Fund will return to a positive fund balance.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Washington Community Schools employer benefit costs over the next four years.

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- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2008, the Washington Community School District had 101 students open enrolled out of the district and 80.7 students open enrolled into the district. The financial health of the District's General Fund could be improved if the difference between the number of the District's open enrolled in and open enrolled out students could be narrowed.
  - Continued declining enrollment is a concern to the District. During fiscal year 2005 the District had 1,709.9 resident students on Line 1 of the certified enrollment. On the District's October 2008 certified enrollment, Line 1 resident students numbered 1,646.6. Continued decreases in enrollment will have a negative impact on the District's General Fund.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Dieleman, Business Manager/District Secretary, Washington Community School District, P.O. Box 926, Washington, Iowa, 52353.

## BASIC FINANCIAL STATEMENTS



WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 3,376,294	0	3,376,294
Other	1,070,800	68,424	1,139,224
Receivables:			
Property tax:			
Delinquent	117,940	0	117,940
Succeeding year	5,198,060	0	5,198,060
Income surtax	629,741	0	629,741
Accounts	1,881	250	2,131
Accrued ISCAP interest(Note 5)	1,280	0	1,280
Prepaid expenses	1,540	0	1,540
Due from other governments	449,853	39	449,892
Inventories	0	8,255	8,255
Capital assets, net of accumulated depreciation(Note 6)	7,666,397	306,210	7,972,607
<b>TOTAL ASSETS</b>	<b>18,513,786</b>	<b>383,178</b>	<b>18,896,964</b>
<b>LIABILITIES</b>			
Accounts payable	191,936	0	191,936
Salaries and benefits payable	1,418,833	39,512	1,458,345
ISCAP warrants payable(Note 5)	3,349,000	0	3,349,000
ISCAP interest payable(Note 5)	1,285	0	1,285
ISCAP unamortized premium	57,435	0	57,435
Deferred revenue:			
Succeeding year property tax	5,198,060	0	5,198,060
Unearned revenue	0	10,316	10,316
Other	6,538	0	6,538
Long-term liabilities(Note 7):			
Portion due within one year:			
Early retirement payable	37,944	0	37,944
Portion due after one year:			
QZAB bonds payable	1,000,000	0	1,000,000
Early retirement payable	6,000	0	6,000
<b>TOTAL LIABILITIES</b>	<b>11,267,031</b>	<b>49,828</b>	<b>11,316,859</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,666,397	306,210	6,972,607
Restricted for:			
Talented and gifted	40,373	0	40,373
Beginning teacher mentoring	10,791	0	10,791
Salary improvement program	1,788	0	1,788
Market factor	9,950	0	9,950
Beginning administrator mentoring	366	0	366
Non-public textbook aid	2,100	0	2,100
Professional development	67,951	0	67,951
Market factor incentives	12,757	0	12,757
Management levy	120,690	0	120,690
Debt service	553,394	0	553,394
Other special revenue purposes	146,170	0	146,170
Unrestricted	(385,972)	27,140	(358,832)
<b>TOTAL NET ASSETS</b>	<b>\$ 7,246,755</b>	<b>333,350</b>	<b>7,580,105</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Govern- mental Activities	Business- Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 6,589,926	391,428	1,872,434	0	(4,326,064)	0	(4,326,064)
Special instruction	2,157,155	144,802	98,614	0	(1,913,739)	0	(1,913,739)
Other instruction	2,191,243	538,153	0	0	(1,653,090)	0	(1,653,090)
	10,938,324	1,074,383	1,971,048	0	(7,892,893)	0	(7,892,893)
Support services:							
Student services	648,992	0	0	0	(648,992)	0	(648,992)
Instructional staff services	857,236	0	0	0	(857,236)	0	(857,236)
Administration services	1,550,876	0	0	0	(1,550,876)	0	(1,550,876)
Operation and maintenance of plant services	1,052,079	0	0	0	(1,052,079)	0	(1,052,079)
Transportation services	630,132	22,576	21,991	0	(585,565)	0	(585,565)
	4,739,315	22,576	21,991	0	(4,694,748)	0	(4,694,748)
Other expenditures:							
Facilities acquisitions	398,561	0	0	383,326	(15,235)	0	(15,235)
AEA flowthrough	611,128	0	611,128	0	0	0	0
Depreciation (unallocated)*	158,367	0	0	0	(158,367)	0	(158,367)
	1,168,056	0	611,128	383,326	(173,602)	0	(173,602)
Total governmental activities	16,845,695	1,096,959	2,604,167	383,326	(12,761,243)	0	(12,761,243)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	711,476	318,676	357,632	0	0	(35,168)	(35,168)
Total	\$ 17,557,171	1,415,635	2,961,799	383,326	(12,761,243)	(35,168)	(12,796,411)
<b>General Revenues &amp; Transfers:</b>							
General Revenues:							
Property tax levied for:							
General purposes				\$	4,042,689	0	4,042,689
Capital outlay					428,913	0	428,913
Income surtax					718,233	0	718,233
Local option sales and services tax					1,013,760	0	1,013,760
Unrestricted state grants					7,839,002	0	7,839,002
Unrestricted investment earnings					55,202	1,529	56,731
Other					39,429	0	39,429
Gain on sale of equipment					2,016	0	2,016
Transfers					(280,924)	280,924	0
Total general revenues and transfers					13,858,320	282,453	14,140,773
Changes in net assets					1,097,077	247,285	1,344,362
Net assets beginning of year					6,149,678	86,065	6,235,743
Net assets end of year				\$	7,246,755	333,350	7,580,105

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 3,376,294	0	0	0	3,376,294
Other	144,477	4,230	553,394	368,699	1,070,800
Receivables:					
Property tax:					
Delinquent	101,717	0	0	16,223	117,940
Succeeding year	4,558,599	0	0	639,461	5,198,060
Income surtax	629,741	0	0	0	629,741
Interfund	320,460	0	0	0	320,460
Accounts	1,030	0	0	851	1,881
Accrued ISCAP interest(Note 5)	1,280	0	0	0	1,280
Prepaid expenses	0	0	0	1,540	1,540
Due from other governments	259,601	190,252	0	0	449,853
<b>TOTAL ASSETS</b>	<b>\$ 9,393,199</b>	<b>194,482</b>	<b>553,394</b>	<b>1,026,774</b>	<b>11,167,849</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Interfund payable	\$ 0	213,457	0	107,003	320,460
Accounts payable	175,137	16,799	0	0	191,936
Salaries and benefits payable	1,418,833	0	0	0	1,418,833
ISCAP warrants payable(Note 5)	3,349,000	0	0	0	3,349,000
ISCAP interest payable(Note 5)	1,285	0	0	0	1,285
ISCAP unamortized premium	57,435	0	0	0	57,435
Deferred revenue:					
Succeeding year property tax	4,558,599	0	0	639,461	5,198,060
Income surtax	629,741	0	0	0	629,741
Other	6,538	0	0	0	6,538
Total liabilities	10,196,568	230,256	0	746,464	11,173,288
Fund balances:					
Reserved for:					
Talented and gifted	40,373	0	0	0	40,373
Beginning teacher mentoring	10,791	0	0	0	10,791
Salary improvement program	1,788	0	0	0	1,788
Market factor	9,950	0	0	0	9,950
Beginning administrator mentoring	366	0	0	0	366
Non-public textbook aid	2,100	0	0	0	2,100
Professional development	67,951	0	0	0	67,951
Market factor incentives	12,757	0	0	0	12,757
Unreserved	(949,445)	(35,774)	553,394	280,310	(151,515)
Total fund balances	(803,369)	(35,774)	553,394	280,310	(5,439)
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,393,199</b>	<b>194,482</b>	<b>553,394</b>	<b>1,026,774</b>	<b>11,167,849</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ (5,439)

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in the governmental funds. 7,666,397

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current fiscal period. 629,741

Long-term liabilities, including QZAB bonds payable and  
early retirement, are not due and payable in the current  
period and, therefore, are not reported as liabilities  
in the governmental funds. (1,043,944)

Net assets of governmental activities (page 14) \$ 7,246,755

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,570,798	1,013,760	0	619,037	6,203,595
Tuition	480,801	0	0	0	480,801
Other	172,150	24,994	7,471	509,204	713,819
State sources	9,348,481	0	0	543	9,349,024
Federal sources	1,091,115	0	0	383,326	1,474,441
Total revenues	15,663,345	1,038,754	7,471	1,512,110	18,221,680
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	6,495,082	8,204	0	106,289	6,609,575
Special instruction	2,148,999	0	0	0	2,148,999
Other instruction	1,727,081	0	0	455,862	2,182,943
	10,371,162	8,204	0	562,151	10,941,517
Support services:					
Student services	648,992	0	0	0	648,992
Instructional staff services	884,585	0	0	0	884,585
Administration services	1,507,809	24,510	0	30,529	1,562,848
Operation and maintenance of plant services	1,261,318	14,183	0	57,186	1,332,687
Transportation services	435,393	84,191	0	157,255	676,839
	4,738,097	122,884	0	244,970	5,105,951
Other expenditures:					
Facilities acquisitions	0	2,614,281	0	1,163,873	3,778,154
AEA flowthrough	611,128	0	0	0	611,128
	611,128	2,614,281	0	1,163,873	4,389,282
Total expenditures	15,720,387	2,745,369	0	1,970,994	20,436,750
Excess(Deficiency) of revenues over(under) expenditures	(57,042)	(1,706,615)	7,471	(458,884)	(2,215,070)
Other financing sources(uses):					
Transfer in	82,479	0	86,130	65,000	233,609
Transfer out	(151,130)	0	0	(82,479)	(233,609)
Sale of equipment and materials	2,016	0	0	0	2,016
Total other financing sources(uses)	(66,635)	0	86,130	(17,479)	2,016
Net change in fund balances	(123,677)	(1,706,615)	93,601	(476,363)	(2,213,054)
Fund balance beginning of year	(679,692)	1,670,841	459,793	756,673	2,207,615
Fund balance end of year	\$ (803,369)	(35,774)	553,394	280,310	(5,439)

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ (2,213,054)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 3,664,136	
Depreciation expense	(405,882)	3,258,254

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement		51,877
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Changes in net assets of governmental activities (page 15)	\$ 1,097,077
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SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 68,424
Accounts receivable	250
Due from other governments	39
Inventories	8,255
Capital assets, net of accumulated depreciation(note 6)	306,210
TOTAL ASSETS	<u>383,178</u>
LIABILITIES	
Salaries and benefits payable	39,512
Unearned revenue	10,316
TOTAL LIABILITIES	<u>49,828</u>
NET ASSETS	
Invested in capital assets	306,210
Unrestricted	27,140
TOTAL NET ASSETS	<u>\$ 333,350</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 318,676
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	229,163
Benefits	46,112
Services	1,065
Supplies	405,445
Depreciation	29,691
TOTAL OPERATING EXPENSES	<u>711,476</u>
OPERATING LOSS	<u>(392,800)</u>
NON-OPERATING REVENUES:	
Interest	1,529
State sources	9,082
Federal sources	348,550
TOTAL NON-OPERATING REVENUES	<u>359,161</u>
Net loss before capital contribution	(33,639)
Capital contribution	<u>280,924</u>
Change in net assets	247,285
Net assets beginning of year	<u>86,065</u>
Net assets end of year	<u>\$ 333,350</u>

SEE NOTES TO FINANCIAL STATEMENTS.



WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 314,123
Cash received from miscellaneous operating activities	5,609
Cash payments to employees for services	(272,647)
Cash payments to suppliers for goods or services	(402,135)
Net cash used in operating activities	<u>(355,050)</u>
Cash flows from non-capital financing activities:	
State grants received	9,082
Federal grants received	314,114
Net cash provided by non-capital financing activities	<u>323,196</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(12,396)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,529</u>
Net decrease in cash and cash equivalents	(42,721)
Cash and cash equivalents at beginning of year	<u>111,145</u>
Cash and cash equivalents at end of year	<u>\$ 68,424</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (392,800)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	34,397
Depreciation	29,691
Increase in inventories	(830)
Increase in accounts receivable	(250)
Decrease in accounts payable	(29,192)
Increase in salaries and benefits payable	2,628
Increase in unearned revenue	1,306
Net cash used in operating activities	<u>\$ (355,050)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 68,424</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$34,397.

During the year ended June 30, 2008, the Nutrition Fund received capital contributions from the Physical Plant and Equipment Levy Fund totaling \$280,924.

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 1,141,046
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 1,141,046</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$          53,033
Contributions	<u>108,066</u>
Total additions	<u>161,099</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>54,107</u>
Change in net assets	106,992
Net assets beginning of year	<u>1,034,054</u>
Net assets end of year	<u>\$      1,141,046</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Washington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates or sponsors various adult education programs. The geographic area served primarily includes the City of Washington, Iowa, and the predominate agricultural territory of Washington and Jefferson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Washington Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Washington Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Washington and Jefferson County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund is the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 years
Land improvements	15 years
Machinery and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been



recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. District disbursements for the year ended June 30, 2008, did not exceed budgeted amounts; however the District exceeded its General Fund unspent authorized budget by \$63,706.

### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,245</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name. Certificates of deposit are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing in over one year as follows:

	<u>Fair Value</u>
Certificates of deposit	<u>\$ 365,361</u>

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue: Physical Plant and Equipment Levy	\$ 107,003
General Fund	Capital Projects	<u>213,457</u>
Total		<u>\$ 320,460</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 86,130
Special Revenue: Student Activity	General	65,000
General	Special Revenue: Student Activity	<u>82,479</u>
Total		<u>\$ 233,609</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/2008	6/25/2009	\$ 3,376,294	1,280	3,349,000	1,285

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007/08A	\$ 0	2,360,000	2,360,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 107,794	293,320	0	401,114
Less accumulated depreciation	65,213	29,691	0	94,904
Business-type activities capital assets, net	<u>\$ 42,581</u>	<u>263,629</u>	<u>0</u>	<u>306,210</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 544,857	0	0	544,857
Construction in progress	1,078,145	3,372,511	0	4,450,656
Total capital assets not being depreciated	<u>1,623,002</u>	<u>3,372,511</u>	<u>0</u>	<u>4,995,513</u>
Capital assets being depreciated:				
Buildings	3,259,695	0	0	3,259,695
Land improvements	889,506	7,082	0	896,588
Machinery and equipment	2,407,634	284,543	66,988	2,625,189
Total capital assets being depreciated	<u>6,556,835</u>	<u>291,625</u>	<u>66,988</u>	<u>6,781,472</u>
Less accumulated depreciation for:				
Buildings	1,502,584	122,837	0	1,625,421
Land improvements	725,362	35,530	0	760,892
Machinery and equipment	1,543,748	247,515	66,988	1,724,275
Total accumulated depreciation	<u>3,771,694</u>	<u>405,882</u>	<u>66,988</u>	<u>4,110,588</u>
Total capital assets being depreciated, net	<u>2,785,141</u>	<u>(114,257)</u>	<u>0</u>	<u>2,670,884</u>
Governmental activities capital assets, net	<u>\$ 4,408,143</u>	<u>3,258,254</u>	<u>0</u>	<u>7,666,397</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 29,022
Special	8,156
Other	12,270
Support services:	
Instructional services	26,118
Administration	5,453
Operation and maintenance	15,837
Transportation	150,659
	<u>247,515</u>
Unallocated depreciation	<u>158,367</u>
Total governmental activities depreciation expense	<u>\$ 405,882</u>
Business-type activities:	
Food services	<u>\$ 29,691</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
QZAB Bonds	\$ 1,000,000	0	0	1,000,000	0
Early Retirement	95,821	0	51,877	43,944	37,944
Total	\$ 1,095,821	0	51,877	1,043,944	37,944

Qualified Zone Academy Bonds (QZAB)

The Qualified Zone Academy Bonds were received by the District on January 24, 2002. These bonds were issued as capital loan notes and will mature on January 24, 2012. The District received \$1,000,000 to remodel school facilities. The District deposits \$86,130 annually into an escrow account, which is held by Bank of America on behalf of the District. Funds in the escrow account will be used to repay the bonds when they mature. The escrow account earns interest at 3.25%.

Early Retirement

The District offers a voluntary early retirement plan to District employees who have fifteen years of continuous service to the District and are over age fifty-five. The amount of early retirement pay for certified employees is equal to sixty-five percent of the employee's base salary. The amount of early retirement pay for non-certified employees is equal to sixty-five percent of the difference between the employee's salary and the amount of the annual pay if the federal minimum wage was used instead of the employee's current hourly rate.

The employee must notify the Board by March 1<sup>st</sup> to receive the early retirement benefit. For both certified and non-certified employees, the cash payout amount cannot exceed \$28,000 per employee. At June 30, 2008, the accumulated retirement pay is \$43,944 with eight individuals receiving the benefit.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$593,309, \$548,734 and \$541,600 respectively, equal to the required contributions for each year.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$611,128 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$63,706.

**(12) Deficit Fund Balance**

At the year ended June 30, 2008, the District had deficit unreserved fund balances of \$949,445 in the General Fund, \$35,774 in the Capital Projects Fund and \$30,494 in the Special Revenue, Physical Plant and Equipment Levy Fund. The District also had deficit net assets in the governmental activities of \$385,972.

**(13) Construction Commitment**

The District has entered into construction contracts totaling \$4,506,266 for the construction of a new middle school. As of June 30, 2008, costs of \$4,450,656 had been incurred against the contracts. The balance of \$55,610 remaining at June 30, 2008, will be paid as work on the project progresses.

**(14) Anticipatory Warrants**

Anticipatory warrant activity during the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year
Special Revenue - Physical Plant and Equipment Levy	\$ 0	200,000	200,000	0
Capital Projects	0	700,000	700,000	0
	<u>\$ 0</u>	<u>900,000</u>	<u>900,000</u>	<u>0</u>

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,398,215	320,205	7,718,420	7,937,112	7,937,112	(218,692)
State sources	9,349,024	9,082	9,358,106	9,641,116	9,641,116	(283,010)
Federal sources	1,474,441	348,550	1,822,991	2,090,000	2,090,000	(267,009)
Total revenues	18,221,680	677,837	18,899,517	19,668,228	19,668,228	(768,711)
Expenditures:						
Instruction	10,941,517	0	10,941,517	12,406,327	12,406,327	1,464,810
Support services	5,105,951	0	5,105,951	6,555,000	6,555,000	1,449,049
Non-instructional programs	0	711,476	711,476	747,316	747,316	35,840
Other expenditures	4,389,282	0	4,389,282	7,993,801	7,993,801	3,604,519
Total expenditures	20,436,750	711,476	21,148,226	27,702,444	27,702,444	6,554,218
Excess(Deficiency) of revenues over(under) expenditures	(2,215,070)	(33,639)	(2,248,709)	(8,034,216)	(8,034,216)	5,785,507
Other financing sources, net	2,016	280,924	282,940	1,800,000	1,800,000	(1,517,060)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	(2,213,054)	247,285	(1,965,769)	(6,234,216)	(6,234,216)	4,268,447
Balance beginning of year	2,207,615	86,065	2,293,680	4,176,280	4,176,280	1,882,600
Balance end of year	\$ (5,439)	333,350	327,911	(2,057,936)	(2,057,936)	6,151,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



WASHINGTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, the District exceeded its General Fund unspent authorized budget by \$63,706.

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 159,614	145,319	63,766	368,699
Receivables:				
Property tax:				
Current year delinquent	5,020	0	11,203	16,223
Succeeding year	200,000	0	439,461	639,461
Accounts	0	851	0	851
Prepaid expenses	0	0	1,540	1,540
TOTAL ASSETS	\$ 364,634	146,170	515,970	1,026,774
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	107,003	107,003
Deferred revenue:				
Succeeding year property tax	200,000	0	439,461	639,461
Total liabilities	200,000	0	546,464	746,464
Unreserved fund balances	164,634	146,170	(30,494)	280,310
TOTAL LIABILITIES AND FUND BALANCES	\$ 364,634	146,170	515,970	1,026,774

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 190,124	0	428,913	619,037
Other	35,648	457,499	16,057	509,204
State sources	167	0	376	543
Federal sources	0	0	383,326	383,326
TOTAL REVENUES	225,939	457,499	828,672	1,512,110
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	106,289	0	0	106,289
Other instruction	0	455,862	0	455,862
Support services:				
Administration services	23,526	0	7,003	30,529
Operation and maintenance of plant services	57,186	0	0	57,186
Transportation services	58,749	0	98,506	157,255
Other expenditures:				
Facilities acquisition	0	0	1,163,873	1,163,873
TOTAL EXPENDITURES	245,750	455,862	1,269,382	1,970,994
Excess(Deficiency) of revenues over(under) expenditures	(19,811)	1,637	(440,710)	(458,884)
Other financing sources(uses):				
Transfers in	0	65,000	0	65,000
Transfers out	0	(82,479)	0	(82,479)
Total other financing sources(uses)	0	(17,479)	0	(17,479)
Change in net assets	(19,811)	(15,842)	(440,710)	(476,363)
FUND BALANCE BEGINNING OF YEAR	184,445	162,012	410,216	756,673
FUND BALANCE END OF YEAR	\$ 164,634	146,170	(30,494)	280,310

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Student activities	\$ 65,800	6,414	0	(34,544)	37,670
Student wellness	2,250	4,091	6,151	0	190
Assure center fundraiser	410	144	232	0	322
CO pop fund	764	290	1,044	0	10
Special ed registration fees	1,655	0	1,655	0	0
Special olympics	14	0	0	0	14
Stewart library	1,294	0	1,294	0	0
Stewart playground fund	3,114	1,855	4,969	0	0
Adults caring for children	16,315	1,332	15,243	0	2,404
Stewart book fair	4,207	2,049	6,256	0	0
Stewart landscape	1,075	0	1,075	0	0
Stewart pop fund	2,609	2,066	4,675	0	0
Lincoln pop fund	124	1,560	1,684	0	0
Student activity fund balance	335	5,360	5,147	0	548
HS general concessions	(600)	17,858	18,917	985	(674)
HS popcorn	4,679	2,125	85	0	6,719
HS fundraiser	726	0	0	0	726
HS candy sales	2,238	0	0	0	2,238
HS best buddies	(346)	151	0	195	0
HS TATU	341	0	55	0	286
Renaissance	875	8,688	8,368	0	1,195
HS drama	5,968	4,694	5,800	0	4,862
HS La Onda	1,407	435	175	0	1,667
HS SADD	350	24	202	0	172
HS speech	985	1,173	1,010	0	1,148
HS trip fundraiser	(16)	0	0	16	0
HS vocal music	928	18,941	19,723	0	146
HS band uniforms	(1,073)	30,916	28,966	(877)	0
HS instrumental music	(172)	3,766	1,496	0	2,098
HS annual	(7,874)	27,439	16,146	0	3,419
HS drafting resale	2	0	2	0	0
HS newspaper	9,811	7,241	11,624	0	5,428
HS art club	2,205	7,632	7,217	0	2,620
HS cheerleaders	2,887	12,446	9,453	0	5,880
HS drill team	2,811	3,006	1,334	0	4,483
HS FFA	4,564	19,353	18,747	0	5,170
HS FHA	38	0	0	0	38
HS FOFES	127	0	0	0	127
VOW	834	434	223	0	1,045
HS NHS	(62)	1,750	1,553	0	135

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
HS office ed-BPA	1,189	15,271	11,867	0	4,593
HS science club	537	0	0	0	537
HS student congress	3,434	7,308	10,343	0	399
HS earth book	1,072	1,255	2,316	0	11
HS student recognition	(9,669)	8,771	10,102	11,000	0
Class of 2007	1,053	0	0	0	1,053
Class of 2008	1,125	3,404	2,724	0	1,805
Class of 2009	160	1,209	672	0	697
Class of 2010	48	1,001	549	0	500
Class of 2011	0	205	0	0	205
HS athletic director	35,191	18,786	13,639	(40,338)	0
HS activity tickets	7,558	9,090	2,386	(14,262)	0
Cross country	(5,005)	424	856	5,437	0
Case field fundraising	(2,576)	100	0	2,476	0
Football fundraising	9,201	6,870	11,638	0	4,433
HS boys basketball	13,193	8,941	4,866	(17,268)	0
HS football	20,355	22,917	22,821	(20,451)	0
HS baseball	(11,281)	5,861	3,807	9,227	0
HS boys track	(11,811)	10,673	12,454	13,592	0
HS boys golf	(2,079)	1,111	3,022	3,990	0
HS soccer	(9,163)	683	2,362	10,842	0
HS wrestling	(4,666)	4,580	6,476	6,562	0
HS girls basketball	4,277	14,210	13,856	0	4,631
HS volleyball	(2,154)	21,893	17,137	0	2,602
HS softball	(6,774)	5,108	8,658	10,324	0
HS girls track	(8,684)	2,396	1,710	7,998	0
HS girls golf	(5,964)	277	3,080	8,767	0
JH activity	1,318	6,560	1,065	0	6,813
JH concessions	1,240	15,644	14,909	0	1,975
JH fundraising	13,757	34,541	35,633	0	12,665
JH special travel	208	0	0	0	208
JH speech	(480)	7	363	836	0
JH student congress	3,251	3,601	3,498	0	3,354
JH vocal music	4,093	8,325	10,582	0	1,836
JH instrumental music	2,448	1,115	3,245	0	318
JH outdoor classroom	(74)	0	0	74	0
JH snowball	0	4,033	869	0	3,164
JH odyssey	(557)	0	302	859	0
JH one act plays	(2,510)	508	1,167	3,169	0
JH student awards	(2,511)	0	0	2,511	0
JH cheerleaders	3,655	5,531	7,446	0	1,740
JH dance team	9	350	289	0	70

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
9th boys basketball	(969)	983	719	705	0
8th boys basketball	(2,071)	462	445	2,054	0
7th boys basketball	(26)	770	500	0	244
JH cross country	(16)	20	148	144	0
9th football	(1,370)	1,354	1,058	1,074	0
8th football	(2,098)	2,059	1,742	1,781	0
7th football	(1,558)	744	300	1,114	0
7th & 8th boys track	41	397	528	90	0
7th & 8th wrestling	(911)	328	200	783	0
9th girls basketball	(1,899)	0	0	1,899	0
8th girls basketball	(843)	711	614	746	0
7th girls basketball	297	489	300	0	486
7th & 8th volleyball	33	1,355	450	0	938
7th & 8th girls track	(1,049)	1,238	1,012	823	0
5th grade	126	0	125	0	1
6th grade	500	777	491	0	786
Tech student	(188)	0	0	188	0
HS dance marathon	0	20	0	0	20
Total	\$ 162,012	457,499	455,862	(17,479)	146,170

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	6,203,595	5,950,653	5,860,594	5,042,238	4,878,498
Tuition		480,801	521,579	463,363	481,870	422,320
Other		713,819	923,221	622,688	574,431	470,914
Intermediate sources		0	20,117	0	0	0
State sources		9,349,024	8,550,259	8,380,075	7,863,313	7,394,727
Federal sources		1,474,441	1,340,093	1,250,747	1,557,552	1,333,779
Total	\$	18,221,680	17,305,922	16,577,467	15,519,404	14,500,238
Expenditures:						
Instruction:						
Regular instruction	\$	6,609,575	6,370,101	6,246,527	5,706,369	5,633,256
Special instruction		2,148,999	2,267,721	1,927,512	1,781,379	1,661,340
Other instruction		2,182,943	2,237,144	1,585,794	1,539,347	1,103,684
Support services:						
Student services		648,992	769,657	1,067,968	1,225,400	1,356,971
Instructional staff services		884,585	899,178	1,061,102	1,102,230	1,054,190
Administration services		1,562,848	1,505,329	1,400,167	1,317,264	1,209,895
Operation and maintenance of plant services		1,332,687	1,365,133	1,349,345	1,184,544	1,039,827
Transportation services		676,839	740,808	693,682	450,799	719,057
Other expenditures:						
Facilities acquisitions		3,778,154	1,327,430	239,146	197,846	563,676
Long-term debt:						
Principal		0	0	0	102,500	102,500
Interest and other charges		0	0	0	3,663	8,343
AEA flow-through		611,128	583,693	545,029	516,270	509,219
Total	\$	20,436,750	18,066,194	16,116,272	15,127,611	14,961,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS (GRANTS TO REDUCE ALCOHOL ABUSE)	84.186	FY 08	\$ 301,311
FUND FOR THE IMPROVEMENT OF EDUCATION (SMALLER LEARNING) COMMUNITIES PROGRAM)	84.215	FY 08	273,653
TOTAL DIRECT:			574,964
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	57,938
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	290,612 *
			348,550
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1701-G	228,222
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 08	98,614
VOCATIONAL EDUCATION			
BASIC GRANTS TO STATES	84.048	FY 08	17,340
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	7,055
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE SAFETY GRANT)	84.215	FY 06	383,326
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 08	9,586
ADVANCED PLACEMENT PROGRAM	84.330	FY 08	106

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 08	<u>4,430</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	<u>71,034</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 08	<u>12,019</u>
TOTAL INDIRECT			<u>1,180,282</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,755,246</u>

\* Includes \$34,397 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Washington Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Washington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Washington Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Washington Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Washington Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Washington Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Washington Community School District's financial statements that is more than inconsequential will not be prevented or detected by Washington Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Washington Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Washington Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Washington Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Washington Community School District and other parties to whom Washington Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Washington Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2009

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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Washington Community School District

Compliance

We have audited the compliance of Washington Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Washington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Washington Community School District's management. Our responsibility is to express an opinion on Washington Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Washington Community School District's compliance with those requirements.

In our opinion, Washington Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Washington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Washington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Washington Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Washington Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Washington Community School District and other parties to whom Washington Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2009

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.186 - Safe and Drug-Free Schools and Communities - State Grants (Grants to Reduce Alcohol Abuse)
    - CFDA Number 84.215 - Fund for the Improvement of Education (Fire Life Safety Grant)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington Community School District did not qualify as a low-risk auditee.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. In addition, the work of the Business Manager is not being reviewed by another employee.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

II-B-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and deprecation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were significant adjustments made for receivables, payables and the governmental funds fixed assets. The Private Purpose Trust Fund had no adjustments made to it during the year.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will be sending accounting staff to IASBO, Department of Education and Software Unlimited training to improve the reliability of District financial statements.

Conclusion - Response accepted.

II-C-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to



other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target are recorded in the Student Recognition account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The Student Recognition account also has Lifetouch picture commissions receipted in it. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Currently, the District records Box Top donations in the Student Activity Fund. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

The District's Student Activity Fund has a Class of 2007 account. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund account.

The District's practice is to collect \$5 or \$10 from employees at each building to pay for bereavement gifts for funerals. The money collected for this purpose is currently receipted and subsequently expended from the Student Activity Fund. Expenditures for bereavement gifts for funerals do not appear to be allowable from the Student Activity Fund. Money collected for this purpose would be more appropriate in an Agency Fund account.

The Student Activity balance, HS popcorn, HS general concessions, HS fundraiser, HS candy sales, JH activity, JH concessions and JH fundraising appear to be administratively maintained rather than by student groups or extra-curricular organizations. The money in these accounts is used for fundraising purposes for other accounts in the Student Activity Fund. These accounts should be closed out to other accounts in the Student Activity Fund or to another fund that is determined to be more appropriate.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - Target donations will be recorded in the General Fund and the Board of Directors will designate the use of these funds.

Box Tops for Education donations as well as Lifetouch picture commissions will be recorded in the General Fund.

Class of 2007 as well as future graduating class accounts will be used as start up funds for the next incoming class.

The District will discontinue the practice of purchasing bereavement gifts.

Student Activity accounts used for fundraising will be dispersed to appropriate individual accounts in the Student Activity Fund. Student Activity Fund receipt and expenditure procedures will be reviewed to improve internal control

Conclusion - Response accepted.

II-D-08 Gate Admissions - During our audit, we noted that pre-numbered tickets were not always being utilized for admissions to dances and other events held at the Junior High and High School. It appeared the only time pre-numbered tickets were being used consistently was for admissions to sporting events held on District grounds.

It appeared that ticket takers responsible for cash collections at the gate were not always following the District's procedures for reconciling pre-numbered tickets to cash collected. Ticket takers appeared to be not always signing off on the reconciliation before giving custody of the change box to the designee responsible for turning in supporting documentation and money to Central Office for deposit. It also appeared that the designee was not always turning in supporting documentation to Central Office.

Recommendation - The exchange in custody of the change box from the ticket takers to the designee responsible for turning in collections to Central Office with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the persons responsible for counting and reconciling the cash. The cash and change box should then be turned into the designee responsible for the accounting function at the event.

Response - The District will review internal control procedures for handling cash at all activity events and communicate these procedures to involved individuals. Proper reconciliation procedures will be followed.

Conclusion - Response accepted.

II-E-08 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the

central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office and to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - Sponsors will be required to turn in proper documentation of money collected to the central office for reconciling deposits to receipts.

Conclusion - Response accepted.

- II-F-08 District Owned Property - We noted during our audit that the District owns ninety acres of unimproved land that is intended to be a future building site for the District. Currently, the District is renting this property to the FFA Land Lab. The exemption of county property tax does not appear appropriate for the ninety acres because the land appears to be income producing.

Recommendation - The District should contact the Washington County Assessor's office and have the property included on the tax roll so proper tax collections can be made.

Response - The District will no longer charge rent to the FFA for land used in the land lab program. The Land Lab will no longer be recognized as a separate outside organization but rather as an extension of the District's educational program

Conclusion - Response accepted.

- II-G-08 FFA Land Lab Account - We noted during our audit, that the District currently has two accounts related to the FFA. The first account is the standard account that is maintained by District accounting personnel on the District's software system in the District's Student Activity Fund. The purpose of this account is to maintain the financial transactions related to the cocurricular and extracurricular activities offered as a part of the District's education program for the students established under Iowa Administrative Code 281-12.6(1).

The second account is the FFA Land Lab account which is maintained by the FFA Chapter's Treasurer with assistance from the District's FFA sponsor. Records for this account are maintained separately from those of the account mentioned above. In conversation with District administration officials and the FFA sponsor, the purpose of this account is for students to gain an understanding of crop production and marketing methods and subsequent accounting for the transactions related to the Land Lab. During the year, the documentation of the Land Lab accounting is submitted to be graded in a competition held at the National FFA convention.

The students participating in the Land Lab as well as the FFA account maintained by the District pay a \$500 deposit that constitutes one "share" that is labeled as a "Land Lab Investment". The Land Lab rents 90 acres of land from the District for \$100 per acre for crop production. Crop inputs for the Land Lab are either donated by local businesses or purchased from the Land Lab checking account from the profits generated in previous years. Students participating in the Land Lab as well as parents of the students supply the labor for maintaining and harvesting the crops throughout the year. When the school year is completed, the net profit is paid amongst the "shareholders" of the Land Lab.

Upon further investigation of the operations of the FFA Land Lab, we discovered the following inconsistencies that cloud the Land Lab's status as a separate organization from the District:

- The FFA sponsor has appeared to receive a Federal Identification Number (FIN) that is different from that of the District, thus recognizing the FFA Land Lab as a separate organization from the District. When we requested to see the notification from the Internal Revenue Service (IRS) stating the FIN, the type of organization and fiscal year end for the organization, supporting documentation could not be provided other than the application that was sent to the IRS by the FFA sponsor. The application states the organization as a non-profit but did not state a fiscal year end. As mentioned above, it would appear that the Land Lab is not operating as a non-profit organization.
- After examining records provided by the Treasurer of the Land Lab, it was determined that the Land Lab had twelve shareholders. Eleven shareholders are participating students in the Land Lab with the other being the District maintained FFA account. The District maintained account had not received payment of \$1,825.93 which is the return of the \$500 initial deposit plus profit generated by operations. Of the eleven student shareholders, only ten paid the initial \$500 deposit; however when profits were paid all eleven participants received full payment of \$1,825.93. With the District maintained account as a shareholder of the Land Lab, it gives the appearance that the Land Lab is an extension of the educational program offered by the District.
- When evaluating expenditures made from the Land Lab's checking account, it was noted that expenditures such as the Chapter's trip to the FFA National Convention, which would normally be paid from the District maintained FFA account, was being paid by the Land Lab account. By paying for these expenditures from the Land Lab account, it gives the appearance that the sponsor for the FFA is circumventing District set procedures for purchasing products and subsequent payment for those items because of the convenience factor the Land Lab account provides.
- As previously stated, the Land Lab rents 90 acres of ground from the District at a rate of \$100 per acre. According to the June 2008 survey of cash rents released by Iowa State Extension for farm ground located in Washington County, it was determined that ground of the quality that is being rented by the Land Lab should be rented in the range of \$175 to \$300 per acre. If the purpose of the Land Lab is to give students an understanding of the true operations of operating a farm, it appears that the District is distorting true profit margins of the Land Lab by not charging a fair amount of rent.
- The Land Lab hires labor to maintain and harvest crops during the year. According to the IRS, any payment made to individuals over \$600 need to have 1099's sent to the individual and the IRS. From our investigation, the appearance was that 1099's have not been sent to individuals or the IRS since the Land Lab's creation.
- According to the IRS, any non-profit organization with gross revenues over \$25,000 needs to file a tax return (Form 990) with the IRS. Since the Land Lab creates revenues over this threshold, it would appear that Form 990 should be filed with the IRS annually. Also, it was noted that after the Land Lab distributed

profit checks to shareholders, 1099's were not given to students or filed with the IRS for profits paid to the shareholders. Since 1099's were not given to students or filed with the IRS, income earned from the Land Lab operations may not have been reported on the individuals' personal tax returns.

In reviewing the inconsistencies mentioned above, it would appear that the Land Lab is operating as an extension of the District's educational program and should be accounted as such in the District's records.

Recommendation - The District's Board of Directors as well as the administration of the District needs to determine whether the intent of the Land Lab is to be recognized as a separate organization from the District or just an extension of the educational program offered by the District. The District and Land Lab should contact legal counsel on how to proceed.

Response - The District has contacted legal counsel. The District will recognize the FFA Land Lab as an extension of the District's educational program.

Conclusion - Response accepted.

II-H-08 Policies and Procedures - District officials are in the process of updating policies and procedures. It appears existing policies are limited, outdated and do not address all transaction cycles.

Recommendation - In addition to the procedures previously recommended, the District should develop policies and procedures for the following areas:

- Cash - Collections made by sponsors or staff members should have pre-numbered receipts turned in with the complete collection matching the receipts. A copy of supporting documentation should be retained by building designees as well as a copy provided to Central Office for reconciliation purposes. All proceeds collected should be deposited intact and in a timely manner.
- Employee Reimbursements for Supplies and Other Purchases - To the extent possible, employees should not purchase supplies personally and seek reimbursement. District purchase order procedures should be followed at all times and payment should be made directly to vendors. When it is necessary for an employee to incur a District expense, the reimbursement request should be properly documented, including the circumstances of the purchase, an approval by the employee's supervisor, and the original detailed receipt or invoice.
- Equipment sales - The District should have a policy addressing disposal of equipment no longer needed by the District. Section 297.22 of the Code of Iowa states, "property having a value of not more than five thousand dollars, other than real property, may be disposed of by any procedures which is adopted by the board and each sale shall be published by at least one insertion each week for two consecutive weeks in a newspaper that has general circulation in the District."

Response - The District will update policies and procedures pertaining to the handling of cash, employee disbursements and equipment sales.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2008  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.186 - Safe and Drug-Free Schools and Communities - State Grants  
(Grants to Reduce Alcohol Abuse)  
Federal Award Year: 2008  
U.S. Department of Education

CFDA Number 84.215: Fund for the Improvement of Education (Fire Life Safety Grant)  
Federal Award Year: 2006  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person, as well as, the work of the Business Manager not being reviewed by another employee.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed budgeted amounts; however the District exceeded its General Fund unspent authorized budget by \$63,706.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - The District will contact the Iowa Department of Education and the School Budget Review Committee to resolve the District's unspent authorized budget issue.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks or gave cash to individual students from the Student Activity Fund. These checks were subsequently cashed to purchase gift certificates/cards that were given to students as incentive prizes. Giving cash or gift certificates/cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will discontinue the practice of purchasing gift certificates/gift cards as student incentive prizes.

Conclusion - Response accepted.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sid Ryan, Coach Owns IGRAPHIX	Supplies	\$20,011
Mark Bohr, Assistant Wrestling Coach Owner of Grand Slam Sports	Supplies	\$54,003
Mary Alice Smith, Special Education Director Spouse owns Community Medical	Supplies	\$752
Eric Turner, Board President Owns Washington Physical Therapy Services	Services	\$687

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the coaches do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Mary Alice Smith do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board President do not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were open enrolled out was overstated by one student and the number of students tuitioned out was overstated by two.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

IV-H-08 Deposits and Investments - Currently the District's Treasurer maintains a diversified portfolio of several investments in the Private Purpose Trust Fund. Investments in the portfolio consist of certificates of deposit, H bonds, savings accounts, annuities and mutual funds. Although these investments are allowable in accordance with the District's investment policy 802.6, the District's investments in mutual funds do not appear to be allowable according to Chapter 12B and Chapter 12C of the Code of Iowa. The District's investment policy 802.6 cannot expand the allowability of investments according to Chapter 12B and 12C of the Code of Iowa.

We also noted the District was not making adjustments to the general ledger for investments in the Private Purpose Trust Fund. It was also noted that the District has several accounts at several different investment institutions which creates confusion in reconciliation procedures that need to be performed by District personnel. This confusion makes it difficult for the District's Board of Directors to receive accurate financial statements for this fund.

Recommendation - The District should review Board Policy 802.6 and investments in the Private Purpose Trust Fund and make necessary adjustments to comply with Chapter 12B and 12C of the Code of Iowa.

The District should develop a committee to review the accounts in the Private Purpose Trust Fund to determine allowable investments and explore options to simplify the several bank and investment accounts the District currently has in the trust fund. The District's Board of Directors should require District personnel to maintain the records for this fund so that the information is more readily available to the board to be in compliance with the Code of Iowa.



Response - The Board of Directors of the Finance Committee will review the Private Purpose Trust Fund investments and will direct District personnel to maintain these records internally and simplify investment options so that investments are in compliance with policy 802.6 and Chapters 12B and 12C of the Code of Iowa.

Conclusion - Response accepted.

- IV-I-08 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The Business Manager will file the Certified Annual Report timely in the future.

Conclusion - Response accepted.

- IV-J-08 Financial Condition - The District had deficit unreserved fund balances of \$949,445 in the General Fund, \$35,774 in the Capital Projects Fund and \$30,494 in the Special Revenue, Physical Plant and Equipment Levy Fund. The District also had deficit net assets in the governmental activities of \$385,972.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The General Fund, Capital Projects Fund and the PPEL Fund will be monitored and deficits eliminated.

Conclusion - Response accepted.

- IV-K-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will determine if outstanding checks should be reissued, voided or submitted to the State as unclaimed property and will be handled accordingly.

Conclusion - Response accepted.

- IV-L-08 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The district should receipt rent collected for facility usage into the General Fund.

Response - Rents from hosting district and regional events will be receipted to the General Fund.

Conclusion - Response accepted.

IV-M-08 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will take action to ensure all future officiating contracts are signed by the Board President.

Conclusion - Response accepted.